

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 TRSE-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-01 TAR-01 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

(ISO) W

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R 101450Z MAR 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 9940

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, EEC, IT

SUBJECT: COUNTERVAILING DUTIES-ITALIAN PRODUCTS

REF: STATE 47770

1. EMBASSY UNDERSTANDS THAT MAIN AREA OF INVESTIGATION IN
ITALIAN FLOAT GLASS AND IRON AND STEEL PRODUCTS CASES
INVOLVES REGIONAL AIDS AND OTHER INDIRECT GOI ASSISTANCE.

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2. FOR NEARLY 20 YEARS GOI HAS BEEN FIRMLY COMMITTED TO

PROMOTING SCIO-ECONOMIC DEVELOPMENT OF MEZZAGIORNO (SOUTH ITALY, SICILY AND SARDINIA) AND HAS HAD REGIONAL AIDS PROGRAM FOR THIS PURPOSE. THESE REGIONAL AIDS ARE AVAILABLE EQUALLY TO ITALIAN AND FOREIGN FIRMS AND ARE NOT IN ANY WAY RELATED TO WHETHER PRODUCTION IS INTENDED FOR EXPORT OR FOR DOMESTIC (ITALIAN) MARKET. (NUMBEROUS US COMPANIES HAVE ESTABLISHED FACILITIES IN THE MEZZAGIORNO UNDER THIS PROGRAM WHICH, HOWEVER, IS BUT ONE OF SEVERAL IMPORTANT FACTORS AFFECTING THEIR DECISION TO LOCATE THERE.) ALL POLITICAL PARTIES STRONGLY SUPPORT THIS POLICY. IN ADDITION, ITALY WILL BE CHIEF BENEFICIARY --40 PERCENT OF TOTAL--OF EC REGIONAL FUND, WHICH GOI WILL USE FOR MEZZAGIORNO DEVELOPMENT.

3. EMBASSY DOES NOT, OF COURSE, KNOW WHETHER CURRENT INVESTIGATIONS WILL CONCLUDE THAT ITALIAN REGIONAL AIDS PROGRAM CONSTITUTES BOUNTY OR GRANT WITHIN MEANING OF US COUNTERVAILING DUTY ACT AND REALIZES THAT INVESTIGATION MUST PROCEED IN ACCORDANCE WITH APPLICABLE US LAWS AND REGULATIONS. EMBASSY BELIEVES, HOWEVER, THAT FACT THAT ITALIAN REGIONAL AIDS ARE NOT RPT NOT TIED TO EXPORTS IS RELEVANT AND HOPES THAT THIS FACTOR WILL BE GIVEN DUE CONSIDERATION.

4. GIVEN EXTREMELY POLITICALLY SENSITIVE NATURE OF REGIONAL AID POLICY IN ITALY, EMBASSY RECOMMENDS THAT, SHOULD INVESTIGATION RESULT IN FINDING THAT GOI ASSISTANCE CONSTITUTES BOUNTY OR GRANT WITHIN MEANING OF US COUNTERVAILING DUTY ACT, USG USE ITS DISCRETIONARY AUTHORITY UNDER TRADE ACT OF 1974 TO SUSPEND APPLICATION OF COUNTERVAILING DUTIES WHILE SUBSIDIES-COUNTERVAILING DUTIES ISSUE BEING NEGOTIATED IN MTN.

5. APPLICATION BY USG OF COUNTERVAILING DUTIES BECAUSE OF REGIONAL AID SUBSIDY BY GOI WOULD, IN EMBASSY'S VIEW, HAVE SERIOUS ADVERSE EFFECT ON GOI POSTURE TOWARDS MTN, WOULD REDUCE CHANCES OF REACHING ACCEPTABLE MTN SETTLEMENT OF SUBSIDIES-COUNTERVAILING DUTIES ISSUE, AND MIGHT CAUSE GOI (AND PERHAPS OTHER EC MEMBERS AND EC COMMISSION) TO CONSIDER RETALIATORY ACTION. GOI PRESENTLY DISPOSED LIMITED OFFICIAL USE

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RESOLVE LAW 639/LAW 773 ISSUE (SUBSIDIES FOR IRON AND STEEL PRODUCTS) IN MTN CONTEXT. GOI REPS HAVE REMINDED EMOFFS ON SEVERAL OCCASIONS THAT USG AND STATES HAVE LIKEWISE PURSUED REGIONAL ASSISTANCE POLICIES WHICH IN THEIR VIEW, ARE NOT SUBSTANTIALLY DIFFERENT FROM THOSE EMPLOYED BY GOI IN ITS EFFORT TO DEVELOP THE MEZZAGIORNO. GOI WOULD FIND IT DIFFICULT TO UNDERSTAND WHY USG WISHES PENALIZE OTHERS FOR PURSUING POLICIES SIMILAR TO THOSE

EMPLOYED BY USG OR STATES.SUCH A SITUATION INVITES
RETAILIATION, WHICH SERVES NOBODY'S INTERESTS.

6. THIS ISSUE ALSO RELEVANT TO UK "RENEGOTIATION"
OF TERMS OF ENTRY INTO EC. GOI BELIEVES IT ESSENTIAL
FOR UK TO REMAIN IN COMMUNITY AND WOULD, FOR REASONS
RELATED TO ITS EC POLICY, BE MOST UNHAPPY IF USG
ACTION ON COUNTERVAILING DUTIES RELATED TO REGIONAL
AIDS WERE TO PROVIDE AMMUNITION FOR ANTI-MARKET FORCES IN
UK. VOLPE

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Message Attributes

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